



Monecor (Europe) Limited
Summary of the European Securities
and Market Authority's Changes

September 2019

SUMMARY OF ESMA'S CHANGES

ESMA's product intervention measures in relation to CFDs and binary options offered to traders classified as 'retail'.

- Spread betting and CFD leverage limited to a maximum of 30x for major currency pairs and less for other assets.
- Margin close out rule on a per account basis – positions will be automatically closed if margin falls below 50% of the amount required to cover open positions.
- Negative balance protection on a per account basis, providing an overall guaranteed limit on losses.
- A ban on the use of trading bonuses and rebates.
- A ban on Binary Options.

50% CLOSE-OUT RULE

What is a margin close-out (MCO) rule?

- The margin close-out rule standardizes the percentage of the margin at which a trading provider is required to close out a CFD or multiple CFDs.
- The aim of this standardization across brokers is to help traders understand what will happen to their investments if they experience adverse price movements.
- The MCO has been set at 50% to ensure that traders' margin is not eroded close to zero. This is in line with examples of good practice in the industry to date. The rule will not prevent traders from choosing to 'top up' their margin if they wish to do so.

How this rule affects you

TraderPro Account

- We will endeavour to send you a notification if your account equity drops below 100%.
- As soon as your account equity drops to 50% of the minimum required margin, under the new rules, we will immediately reduce or close your positions until your account equity reaches a minimum of 100% again.
- Any open positions from 26th May became subject to the new margin close-out rules.

MT4 Account

- When your account equity falls below 100% of the minimum required margin for your open position(s), you are at risk of being closed out.
- Once your equity falls below 50%, your positions are reduced to bring your account equity back over 50%.

- Any open positions from 26th May became subject to the new margin close-out rules.

Example scenario under the new 50% close out rule

You have £1,000 in your account and you open a UK 100 position that requires £500 margin. If that position runs a loss of £750, you will have £250 equity remaining after the running loss, which is 50% of the £500 margin required to cover the open position. In this scenario, under the new rules, we will need to reduce or close this position until your account equity reaches 100% of the £500 margin required to cover the open position.

BINARY OPTIONS

We do not offer Binary Options products.

LEVERAGE / MARGIN CHANGES

How will these changes affect my trades if I remain a retail client?

- The confirmed leverage cuts will restrict FX pairs to a maximum of 30:1 leverage and major indices to a maximum of 20:1 leverage.
- You will need to deposit extra funds, or margin, in order to trade the same stake sizes. For example, if you trade major indices like the Germany 30 or Wall Street, you will be required to have ten times your current margin in order to place the same trade.
- see the table below for more information.

Product	Maximum leverage		Extra margin required for retail clients
	Professional clients	Retail clients	
Major FX pairs	200:1	30:1	7x
Major Indices	200:1	20:1	10x
Gold	200:1	20:1	10x
Commodities	100:1	10:1	10x
Equities	20:1	5:1	4x

Cryptocurrencies	5:1	2:1	2.5x
Bonds/ Interest rates	400:1	5:1	80x

BECOMING A PROFESSIONAL TRADER

Being classified as a Professional trader means that the ESMA restrictions highlighted above will not be applicable. Please note you will need to meet two of the three criteria listed below to qualify to be a Professional Trader:

- Over €500k of liquid assets, excluding your house of residence if you own it.
- Relevant experience in financial services.
- Traded at least 10 times in each of the last 4 quarters.

If you are interested in finding out more about becoming a Professional trader, please contact us on the email provided in the section below.

HOW TO CONTACT US

If you have any questions regarding the ESMA changes, we are here to help, please contact our Customer Service team by:

Email: customer.service@etxcapital.com

Phone (International): +357 22000585

Opening times: Monday – Friday, 9:30am – 9pm (Cyprus time)

Post

Monecor (Europe) Limited
Mezzanie Floor,
62 Athallasas Avenue,
Strovolos 2012, Nicosia,
Cyprus

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. **75.6% of retail investor accounts lose money when trading spread bets and CFDs with this provider.** You should consider whether you understand how CFDs work, and whether you can afford to take the high risk of losing your money.

Monecor (London) Ltd is a member firm of the London Stock Exchange. Authorised and regulated by the Financial Conduct Authority with Financial Services register number 124721.